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RUEHUL/AMEMBASSY SEOUL 0255
RHEBAAA/DEPT OF ENERGY WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEAIIA/CIA WASHDC
RHEFAAA/DIA WASHDC
RHEHNSC/NSC WASHDC 0702
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SUBJECT: KAZAKHSTAN: NEW OIL AND URANIUM DEALS WITH INDIA

REF: (A) NEW DELHI 0190
(B) 08 ASTANA 1910
(C) 08 ASTANA 2535

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11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On January 23-26, at the invitation of Indian President Pratibha Patil, President Nazarbayev, accompanied by more than 100 state and private business representatives, paid an official visit to India, seven years after his last trip to Delhi in February 2002. During the visit, India and Kazakhstan agreed to two significant energy deals, one for the exploration of the Satpayev oil field in the North Caspian, and one for the supply of approximately 300 tons of uranium to India annually for five years (1,500 to 2,000 tons in total). Kazakhstan imports Indian tea, pharmaceuticals, textiles, foods, tobacco, rubber products, and electronic equipment, and exports to India salt, cement, leather, and non-ferrous ores. During the first 10 months of 2008, trade between Kazakhstan and India totaled \$308 million. END SUMMARY.

INDIA'S NATIONAL OIL COMPANY SIGNS SATPAYEV AGREEMENT

13. (U) After seven years of negotiations, Kazakhstan's national oil and gas company, KazMunayGas (KMG), and India's Oil and Natural Gas Corporation (ONGC), together with India's Mittal Energy Limited, signed an agreement to explore the Satpayev offshore Caspian oil reservoir, which has estimated recoverable reserves of 253 million tons of crude oil. According to India's Petroleum Secretary R.S. Pandey, a newly established joint venture of ONGC and Mittal Energy will pay an \$80 million signing bonus for a 25 percent stake in the project, with the option of an additional 10 percent upon commercial discovery. KMG will be the lead operator of the field and hold the remaining 75 percent stake.

14. (SBU) On January 30, D.C. Manjunath, Second Secretary of the Embassy of India, told Energy Officer that President Nursultan Nazarbayev's visit to India was helpful in moving negotiations

forward. He said that KMG and ONGC first signed a memorandum of understanding in 2005 and expressed frustration that the Satpayev deal has taken so long to consummate. He called the Heads of Agreement signed during Nazarbayev's visit "long overdue." Manjunath said there is no deadline to sign a contract for the exploration and production of the Satpayev field, but he indicated that ONGC is eager to come to terms before proposed changes to the Subsoil Law take effect. (NOTE: Kazakhstan's new Subsoil Law will eliminate the use of production sharing agreements, require separate exploration and production contracts, and impose stricter local content requirements. See reftel B. END NOTE.)

KAZAKHSTAN COURTING INDIAN INVESTMENT IN PETROCHEMICAL PLANT

¶4. (U) After Nazarbayev met with Indian Oil Industry Minister Moorli Deora, Kazakhstan invited Gali India Ltd. and Indian Oil Corp. to enter into negotiations on the construction of a petrochemical plant in Kazakhstan. (NOTE: On January 22, Kazakhstan's Prime Minister Karim Masimov attended a groundbreaking ceremony for the Karabatan Petrochemical Plant in Atyrau Oblast, which has a design capacity of 1.2 million tons of polyethylene and polypropylene per year. The plant is expected to receive and refine oil from the supergiant Kashagan field beginning in 2012. END NOTE.)

KAZATOMPROM TO SUPPLY URANIUM TO INDIA

¶5. (SBU) Also during Nazarbayev's visit, Kazakhstan's national nuclear energy company Kazatomprom (KAP) and the Nuclear Power Corporation of India Limited (NPCIL), run by India's State Department of Atomic Energy, signed a memorandum of understanding and cooperation. According to Kazatomprom, the two companies will cooperate in the extraction and production of uranium, the supply of uranium pellets and fuel assemblies to Indian nuclear facilities, and the training of KAP personnel. KAP also announced that it will

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take advantage of the opportunity to review the technical feasibility studies for India's heavy-water nuclear reactors in order to assess whether plants of similar design would be suitable for Kazakhstan. Manjunath from the Embassy of India said India is most interested in conducting joint mining activities in Kazakhstan and securing a long-term contract to ensure the steady supply of uranium. He also noted that the MOU is broadly defined and could allow KAP and NPCIL to sign specific agreements on technology transfer and value added production.

¶6. (SBU) During a January 16 meeting with Energy Officer, Kazatomprom Vice President Sergei Yashin explained that under the agreement, Kazakhstan will supply approximately 300 tons of uranium and processed fuel annually to India for up to five years. Yashin said that India's nuclear power plants require both new power blocks and a guaranteed supply of uranium. He said that KAP partners Westinghouse -- in which KAP owns a 10 percent share -- and General Electric will build the reactors and KAP will guarantee the supply of uranium. Yashin confirmed KAP's plans to become the world's number one exporter of uranium by 2010, and he said they will increase uranium production from 8,500 tons in 2008 to 11,900 tons in 2009 (see reftel C).

FUTURE TECHNICAL AND ECONOMIC COOPERATION WITH INDIA

¶7. (U) Before Nazarbayev's visit, India's Ambassador to Kazakhstan, Ashok Sanjhar, announced at a press conference that the government of India is eager to expand the scale of technical and economic cooperation with Kazakhstan. Under an existing bilateral program, each year approximately 100 Kazakhstani technicians, military officers, businessmen, and government officials receive training at India's top universities in information technology, English language, mass media, environment, education, banking, textile manufacturing, and pharmaceutical production. Sanjhar suggested other opportunities for cooperation with Kazakhstan, including establishing a new Kazakhstani-Indian Technical Institute, initiating an educational exchange program, and opening centers of Indian medicine in Almaty and Astana to treat cardiovascular and oncologic diseases.

